



August 31, 2015

The Honorable Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814
(Comment submitted electronically, Reference: INVESTPLAN2015-WS)

RE: Cap-and-Trade Auction Proceeds, Second Investment Plan, Draft Concepts Paper

Dear Chair Nichols,

The Low Carbon Fuels Coalition ("LCFC") appreciates the opportunity to provide comments regarding the concept paper developed by the Air Resources Board ("ARB"), Cap-and-Trade Auction Proceeds Second Investment Plan ("Second Investment Plan").

The LCFC is a technology-neutral association of producers and developers of low carbon fuels. The Coalition includes producers, developers and retailers of biodiesel, ethanol, renewable natural gas, waste-derived fuels, and drop in renewable gasoline. Our growing membership includes Agron BioEnergy (a California producer of low NOx biodiesel), Propel Fuels (the nation's leading retailer of E85), Imperium Renewables (one of the largest biodiesel production facilities in the world, located in Washington), Promus Energy (developer of renewable natural gas from dairy waste projects), SeQuential Biofuels (an Oregon based biodiesel producer and retailer of low carbon fuels), Iogen (a producer of ethanol from agricultural residues with commercial production starting in Brazil), California Ethanol and Power (developer of a sugarcane to ethanol facility in the Imperial Valley), and Cool Planet Energy Systems (a producer of renewable gasoline, biochar, and biochemicals).

We are supportive of ARB's Second Investment Plan and in particular its reference on page 12 to the establishment of incentives for the production of low carbon intensity fuels. We agree with the Concept Paper's inclusion of low carbon fuels as an essential part of ARB's Second Investment Plan for the following reasons:

- The transportation sector is the largest source of greenhouse gas ("GHG") emissions and the largest source of planned GHG reductions achieved primarily



through the Cap-and-Trade Regulation, and the Low Carbon Fuel Standard (“LCFS”).¹

- Sound investment strategy suggests that Greenhouse Gas Reduction Fund (“GGRF”) spending should be diversified and be proportionate to anticipated GHG reductions. Liquid and gaseous low carbon fuels have delivered 89% of the GHG reductions in the LCFS to date and will continue to deliver the overwhelming majority for the next five years. This is well illustrated by the comprehensive compliance scenario analysis completed by ARB pursuant to the LCFS re-adoption process as summarized by Table B-18 of the Initial Statement of Reasons.²

Table B-18. Illustrative California Reformulated Gasoline Oxygenates and Substitute Fuels through 2020

Fuel	Units	2014	2015	2016	2017	2018	2019	2020
Corn & Related Ethanol	mm gal	1,400	1,350	1,250	1,175	1,000	925	875
Cane and Sugar Ethanol	mm gal	120	170	240	290	410	460	510
Cellulosic Ethanol	mm gal	0	0	5	15	50	75	100
Renewable Gasoline	mm gal	0	0	0	0	5	15	25
Hydrogen	mm gal GGE	0.03	0.4	1	2	4	5	7
Electricity for LDVs	mm gal GGE	9	14	19	24	31	40	51

Notes: mm gal = million gallons; GGE = gasoline gallon equivalent

- Liquid and gaseous low carbon fuels can be stored, blended and distributed via the existing petroleum distribution network and utilized in existing gasoline, diesel, and natural gas powered vehicles.

¹ AB 32 Report, <http://www.arb.ca.gov/cc/jlbcreports/jan2014ab-32-report.pdf> at p. 40 (last viewed August 21, 2015).

² Air Resources Board, Low Carbon Fuel Standard Initial Statement of Reasons, Appendix B (Development of Illustrative Compliance Scenarios and Evaluation of Potential Compliance Curves), at p. B-36, <http://www.arb.ca.gov/regact/2015/lcfs2015/lcfs15appb.pdf> (last viewed August 21, 2015).



- These fuels and vehicles are the only technologies that can be immediately deployed to deliver substantial GHG reductions to California's rural and urban disadvantaged communities.
- California's goal of cutting petroleum use in half by 2030 would be facilitated by at least a doubling in the use of low carbon fuels including biofuels and renewable natural gas.³

We appreciate the ARB's inclusion of low carbon fuels production within the scope of its Second Investment Plan. We look forward to engagement with ARB throughout the process to ensure that these GGRF funds are invested wisely and yield the highest possible dividends in terms of GHG reduction, other air quality benefits, petroleum reduction, benefits to Disadvantaged Communities, and the expansion of California's clean economy.

Thank you for your consideration of this comment.

Sincerely,

Graham Noyes
Acting Executive Director
Low Carbon Fuels Coalition

³ Air Resources Board, California's 2030 Climate Commitments: Cutting Petroleum Use in Half by 2030, http://www.arb.ca.gov/newsrel/petroleum_reductions.pdf (last viewed August 21, 2015).